

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Philippines

**Post:** Manila

### **Rice Tariffication Law Enacted**

**Report Categories:**

Grain and Feed

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**Report Highlights:**

On February 14, 2019 President Rodrigo Duterte signed into law Republic Act (RA) No. 11203, which replaces rice import quantitative restrictions with tariffs. Implementing Rules and Regulations (IRRs) will be issued within 45 days and are expected to clarify specific roles of the agencies involved in the law's implementation. Increased rice imports are expected from Association of Southeast Asian Nations member countries as a result of this legislation. Legal challenges in the form of lawsuits are also likely in the near future.

## **General Information:**

President Rodrigo Duterte signed into law the attached Republic Act (RA) No. 11203 or “An Act liberalizing the importation, exportation, and trading of rice, lifting for the purpose the quantitative import restriction on rice, and for other purposes” on Thursday, February 14, 2019.

The law amends RA No. 8178 or the Agricultural Tariffication Act of 1996 and replaces the quantitative restrictions (QR) on rice imports with tariffs.

Highlights of RA No. 11203 follow:

- The Minimum Access Volume (MAV) will revert to its 2012 level of 350,000 tons from 805,200 tons.
- In-quota Most Favored Nation (MFN) rates will remain at 35 percent.<sup>1</sup>
- For out-quota imports, the MFN tariff is raised from 50 to 180 percent.
- In- and out-quota imports from countries of the Association of Southeast Asian Nations (ASEAN) will be levied a uniform 35 percent duty.
- A Rice Competitiveness Enhancement Fund will be created consisting of an annual P10 billion (\$192.3 million) appropriation through the next six years.
- A special rice safeguard duty shall be imposed for the industry’s protection from extreme or sudden price fluctuations.
- The role of the National Food Authority (NFA) role is confined to buffer-stocks management.
- To implement provisions of this RA, Implementing Rules and Regulations (IRRs) will be issued within 45 days.

The crafting of the IRRs is expected to involve consultations with affected stakeholders, and to clarify specific roles and relationships of concerned Philippine government agencies. Of particular interest is the specific role of the NFA, whose functions have been sharply reduced. The NFA itself used to import and distribute rice for food security purposes. It also imposed QRs and regulated commercial rice imports.

Many stakeholders expect rice imports to increase as a result of RA No. 11203, mainly originating from ASEAN countries. Post concurs with this expectation. The rice tariffication law has also been met by strong opposition from some sectors, with legal challenges in the form of lawsuits likely in the near future.

The Bangko Sentral ng Pilipinas (Philippine Central Bank) expects RA No. 11203 to reduce inflation by at least 0.6 percentage points (PPT) this year and around 0.3-0.4 PPT reduction in 2020. Increasing food prices, particularly rice, have been identified as a major contributor to inflation, which peaked at 6.7 percent in October 2018, the highest in almost a decade. Average inflation in 2018 reached 5.2 percent, up from 2.9 percent the previous year. Philippine government planners had originally set a 2-4 percent inflation target for 2018.

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<sup>1</sup> The law states, “the in-quota rate indicated in the applicable provisions of the WTO Agreement on Agriculture shall apply.” There is still debate whether the applied rate will be 35 or 40 percent.

